

United Stores Corporation

Report to Stockholders
Year Ending December 31, 1943

OFFICERS

RANDOLPH CATLIN, *President*

WALTER B. RYAN, JR., *First Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

RANDOLPH CATLIN

H. HOBART PORTER

ROBERT W. JAMESON

WALTER B. RYAN, JR.

THOMAS H. MCINNERNEY

EUGENE W. STETSON

GENERAL COUNSEL

SULLIVAN & CROMWELL NEW YORK, N. Y.

AUDITORS

PRICE, WATERHOUSE & Co. NEW YORK, N. Y.

UNITED STORES CORPORATION

75 MONTGOMERY STREET

JERSEY CITY, N. J.

MARCH 27, 1944.

To the Stockholders of

UNITED STORES CORPORATION :

There are presented herewith the following financial statements of United Stores Corporation for the year ending December 31, 1943, with report of Messrs. Price, Waterhouse & Co. thereon :

Balance Sheet

Statement of Income and Expense

Statement of Surplus

For the information of the stockholders there are enclosed herewith copies of the Annual Report of McLellan Stores Company for the year ending January 31, 1944, and the Annual Report of McCrory Stores Corporation for the year ending December 31, 1943.

By order of the Board of Directors.

RANDOLPH CATLIN,

President.

The annual meeting of stockholders of United Stores Corporation will be held on May 10, 1944. Proxies for such meeting will be requested by the management, and a Proxy Statement will be sent to the stockholders, on or about April 1, 1944.

UNITED STORES CORPORATION

BALANCE SHEET—DECEMBER 31, 1943

ASSETS

CASH IN BANK AND ON HAND	\$ 439,431.46
OFFICE FURNITURE AND FIXTURES, at nominal amount	1.00

INVESTMENTS:

At cost:

McCrorry Stores Corporation (Note 1)— 396,138 shares common stock, par \$1 (40% of total outstanding)	\$5,040,418.31
McLellan Stores Company (Note 1)— 8,322 shares 6% cumulative convertible preferred stock, par \$100 (27.74% of total outstanding)	} 4,521,099.39
380,098½ shares common stock, par \$1 (51.84% of total outstanding)	

At nominal amount:

Tobacco Products Corporation of Delaware (Note 2)— 28,217 shares of capital stock, par \$10 (85.59% of total outstanding)	1.00	9,561,518.70
		\$10,000,951.16

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 5,883.62	
Unclaimed dividends	2,204.10	
Reserve for taxes (Note 3)	50,608.02	\$ 58,695.74

CAPITAL STOCK AND CAPITAL SURPLUS:

Capital stock:

\$6 cumulative convertible preferred stock, without par value, preferred over Class A and common as to \$115 per share plus accrued dividends on dissolution—(Note 4)— Authorized —101,800 shares Outstanding— 95,695 shares stated at \$25 per share..	\$2,392,375.00
Note—Preferred dividends are in arrears \$10.00 per share at December 31, 1943 or a total of \$956,950.	

Class A stock of \$5 par value, convertible, preferred over common as to \$4.20 per annum (cumulative to the extent earned in any fiscal year) and as to \$75 per share on dis- solution—(Note 4)— Authorized —916,000 shares Outstanding—915,979 shares	4,579,895.00
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Common stock of 50¢ par value— Authorized—1,522,200 shares including 1,011,674 shares reserved for conversion of preferred and Class A stocks Outstanding, less 344½ shares in treasury—504,051½ shares	252,025.75
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Capital surplus, per statement attached	1,999,425.68	9,223,721.43
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EARNED SURPLUS SINCE JANUARY 1, 1937 (see Notes 1 and 3)	718,533.99
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\$10,000,951.16

UNITED STORES CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1943

NOTE 1—Amounts based on quoted market prices at December 31, 1943:

McCrory Stores Corporation:

Common stock	\$ 6,338,208.00
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McLellan Stores Company:

6% preferred stock	937,265.25
Common stock	4,086,058.88
	\$11,361,532.13

NOTE 2—The final distribution of the assets of Tobacco Products Corporation of Delaware (dissolved on October 26, 1939) is now in process. The amount distributable on stock held by United Stores Corporation is estimated to be approximately \$25,000.

NOTE 3—The Corporation's Federal income tax return for 1941, as filed, reflected a profit on the sale of McCrory Stores Corporation Preferred Stock as being substantially offset by a loss on its investment in Tobacco Products Corporation of Delaware. The Bureau of Internal Revenue has proposed to assert a deficiency of \$238,006.24 for such year. This has been protested by the Corporation, and is now being reviewed by the Technical Staff of the Bureau. No provision has been made in the foregoing balance sheet for any adjustment of the return as filed.

NOTE 4—In the opinion of counsel neither the provisions of the Corporation's certificate of incorporation nor the statutes of Delaware create restrictions upon surplus growing out of the fact that upon involuntary liquidation the preferences of the preferred and Class A stocks exceed their respective stated or par values.

The aggregate amount to which the outstanding preferred stock is entitled in liquidation is \$11,961,875 and the aggregate amount to which the outstanding Class A stock is entitled in liquidation is \$68,698,425. The aggregate amount to which the outstanding preferred stock and Class A stock are entitled in liquidation exceeds the aggregate amount of capital represented by such stocks by \$73,688,030 (which excess is greater than the sum of the aggregate amount of capital represented by the common stock and the amount of the surplus of the Corporation).

UNITED STORES CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDING DECEMBER 31, 1943

Income:

Dividends received	\$674,128.80
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Expenses:

Stock transfer expense	\$12,983.13
Franchise and capital stock taxes	4,070.60
Administrative, general and legal expenses	31,603.14

48,656.87

\$625,471.93

Provision for Federal income tax	38,000.00
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Net income for year ending December 31, 1943, carried to statement of surplus.	<u><u>\$587,471.93</u></u>
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UNITED STORES CORPORATION

STATEMENT OF SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1943

Capital surplus:

Balance at December 31, 1942	\$1,999,424.81
Excess of par value over cost of scrip representing 8 shares of common stock....	.87
Capital surplus at December 31, 1943, per balance sheet	<u>\$1,999,425.68</u>

Earned surplus since January 1, 1937:

Balance at December 31, 1942	\$ 896,622.06
Net income for the year ending December 31, 1943, per statement attached	587,471.93
	<u>\$1,484,093.99</u>
Deduct—Dividend of \$8.00 per share paid in cash on December 23, 1943 on account of dividend arrears on \$6 cumulative convertible preferred stock.....	765,560.00
Earned surplus at December 31, 1943, per balance sheet	<u>\$ 718,533.99</u>

To the Board of Directors of

UNITED STORES CORPORATION:

We have examined the balance sheet of United Stores Corporation as at December 31, 1943, and the statements of income and expense and surplus for the year ending on that date. In connection therewith, we have examined accounting records of the Corporation and other supporting evidence, have obtained confirmation of the cash in bank, have counted the cash on hand, and have counted the securities. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary.

In our opinion, except as to the matter mentioned in Note 3 on which we are unable to express an opinion, the accompanying balance sheet and related statements of income and expense and surplus present fairly the position of United Stores Corporation at December 31, 1943, and the results of its operations for the year ending on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

56 Pine Street,
New York, N. Y.
March 10, 1944.

